

To All Interested Parties:

At the October 15, 2008 pre-hearing workshop, the Department received several requests for additional information. This document, with attachment A, addresses these requests. The Figures mentioned below are provided at the end of this document.

What are the most recent prices for natural gas, crude oil and diesel?

The Department updated Figures 13-15 by adding the most recent available data. Also, an industry member provided the following internet link with weekly natural gas prices for those interested in such data:

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp> .

On Figure 18 (Sources of Fluid Milk Processed in California Plants), the values presented from 1998 to 2004 seem surprisingly constant. Were data points omitted?

The scale of the vertical axis in Figure 18 was inadvertently reduced, hence hiding the top part of the columns from 1998 to 2004. The Department adjusted Figure 18 to show all the data.

On Figure 19 (California Bulk Milk Imports by Source and Total Exports), the column representing the first eight months of 2008 is higher than the column for 2007. However, in the Dairy Information Bulletin, the numbers show the data in 2008 should be lower. What could explain this?

The Department reviewed the data used to create Figure 19 and discovered an error in the annual average value for the imports coming in California from states other than Arizona and Nevada (which is represented by the yellow part of the column on Figure 19). The Department adjusted Figure 19 accordingly. The column for the first eight months of 2008 was the only one affected by the change.

Figure 20 (California Bulk Milk Imports by Utilization) shows a significant increase in imports of non-Class 1 usage for the first eight months of 2008 compared to 2007. What happened and what usage does this milk go to?

Following the review of Figure 19, the Department also had to adjust Figure 20 because it is created with the same data. The annual average value of bulk milk imports used in other than Class 1 for the first eight months of 2008 (represented by the white part of the column) is lower. Additionally, the percent of non-Class 1 usage was adjusted as well, which lowered this number to 25%. The bulk milk from out of state sources for the year 2008 is divided roughly: 75% to Class 1, 8% to Class 2, 3% to Class 3, 11% to Class 4a and 3% to Class 4b.

What have been recent California weekly spot prices for corn, cottonseed, soybean meal, and alfalfa hay?

The California weekly spot prices for corn, whole cottonseed and soybean meal, July 1, 2008 through October 23, 2008, can be found in Figure A. California alfalfa hay prices, July 2008 through the first four weeks of October 2008, can be found in Figure B.

A request was made for the raw data that was used to prepare the figures in the background material presented by the Department.

An excel file containing these data has been posted on the Department website and can be found at: http://www.cdfa.ca.gov/dairy/dairy_hear_Analysis_Oct15_2008.html under Attachment A. The included data is for all figures, except Figure 17, which is a map of the Federal Milk Marketing Order Class I Price Structure.

Some of the data for Figures 18, 20, 21, and 23 for the years 1993 and 1994 is unavailable and has been left blank. The annual averages appearing in the figures for these missing years were estimated. The data for the two months of February and June 1995 for Figure 23 "Milk Processed by P/H 70 as Pooled Other" is also not available.

Other requests

Regarding Figure 10, there was a request to estimate what the mailbox price would have been under a few scenarios. The Department is unable to estimate the mailbox price or predict any future mailbox price.

Regarding Figure 11, there was a request to estimate the California feed costs (red line) beyond June 2008 based on current commodity prices for feed. The feed costs in Figure 11 are from the actual costs of the producers participating in the cost of production survey. Each producer feeds a slightly different ration mix. It is not feasible to replace feed prices in all the studies with current feed prices; nor is it advisable, since the Department bases the feed prices in the study on an inventory system, while the current prices would be spot prices.

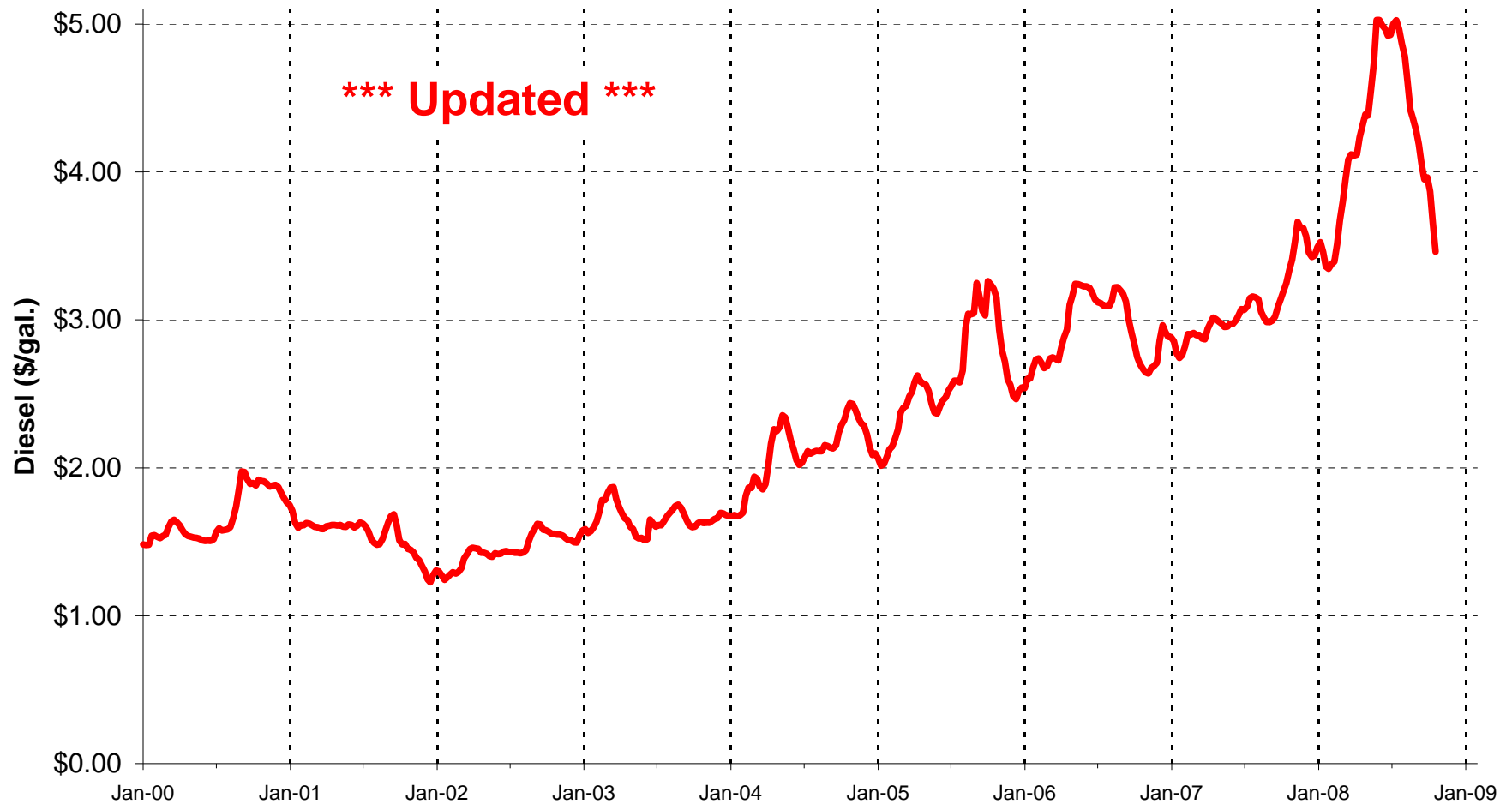
There was also a request to investigate the current availability of credit for dairy producers. The Department talked to a few different sources in the agricultural lending sector and there was no objective information given that provides an adequate answer to this request.

Figure 13 - U.S. WEEKLY AVERAGE CRUDE OIL PRICES
West Texas Intermediate Crude, January 2000 through October 17, 2008



Source: US Department of Energy

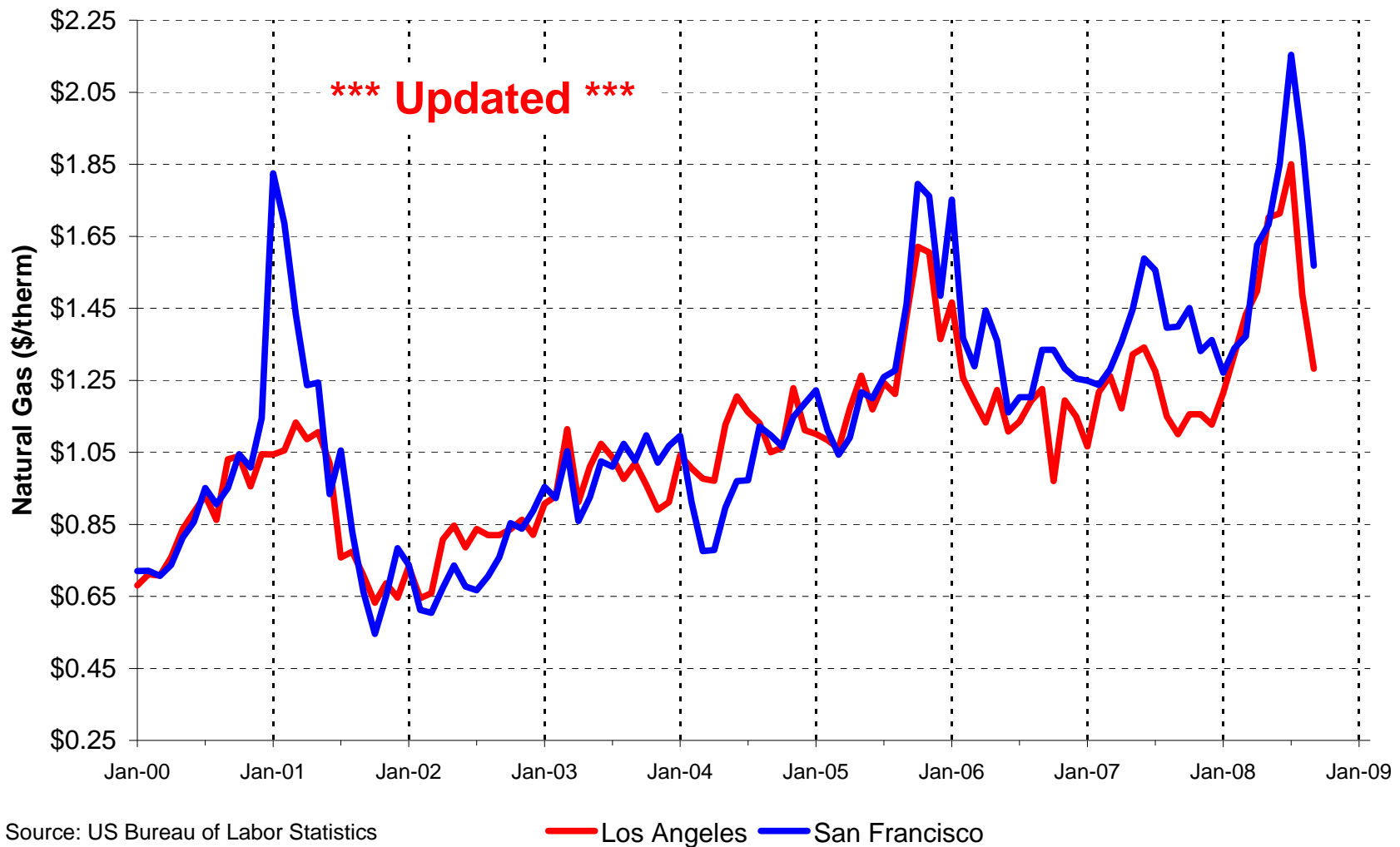
Figure 14 - CA WEEKLY AVERAGE DIESEL PRICES
California Retail On-highway, January 2000 through October 20, 2008



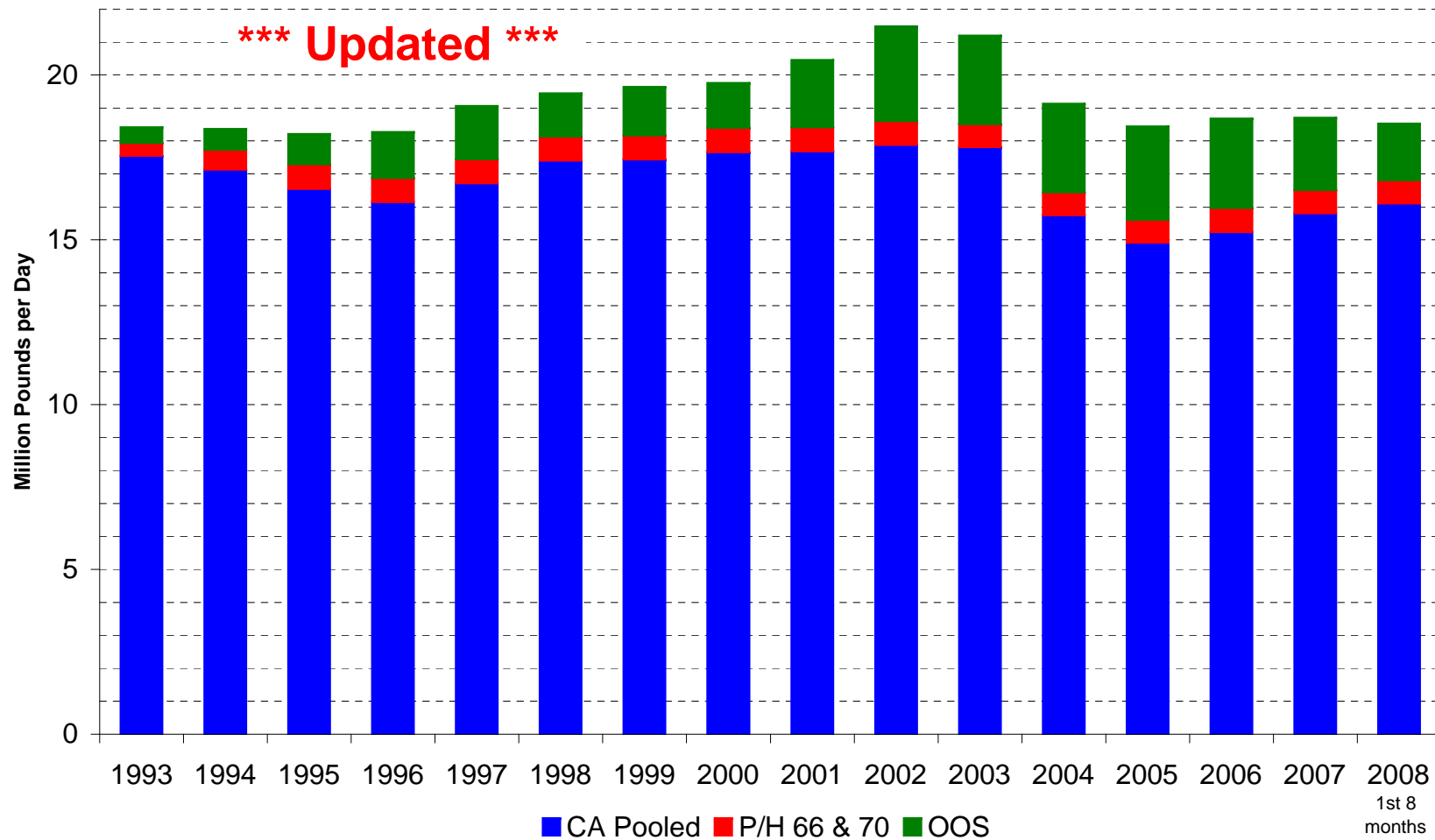
Source: US Department of Energy

Figure 15 - CA MONTHLY AVERAGE NATURAL GAS PRICES

Residential Unit Prices in Los Angeles and San Francisco
January 2000 through September 2008

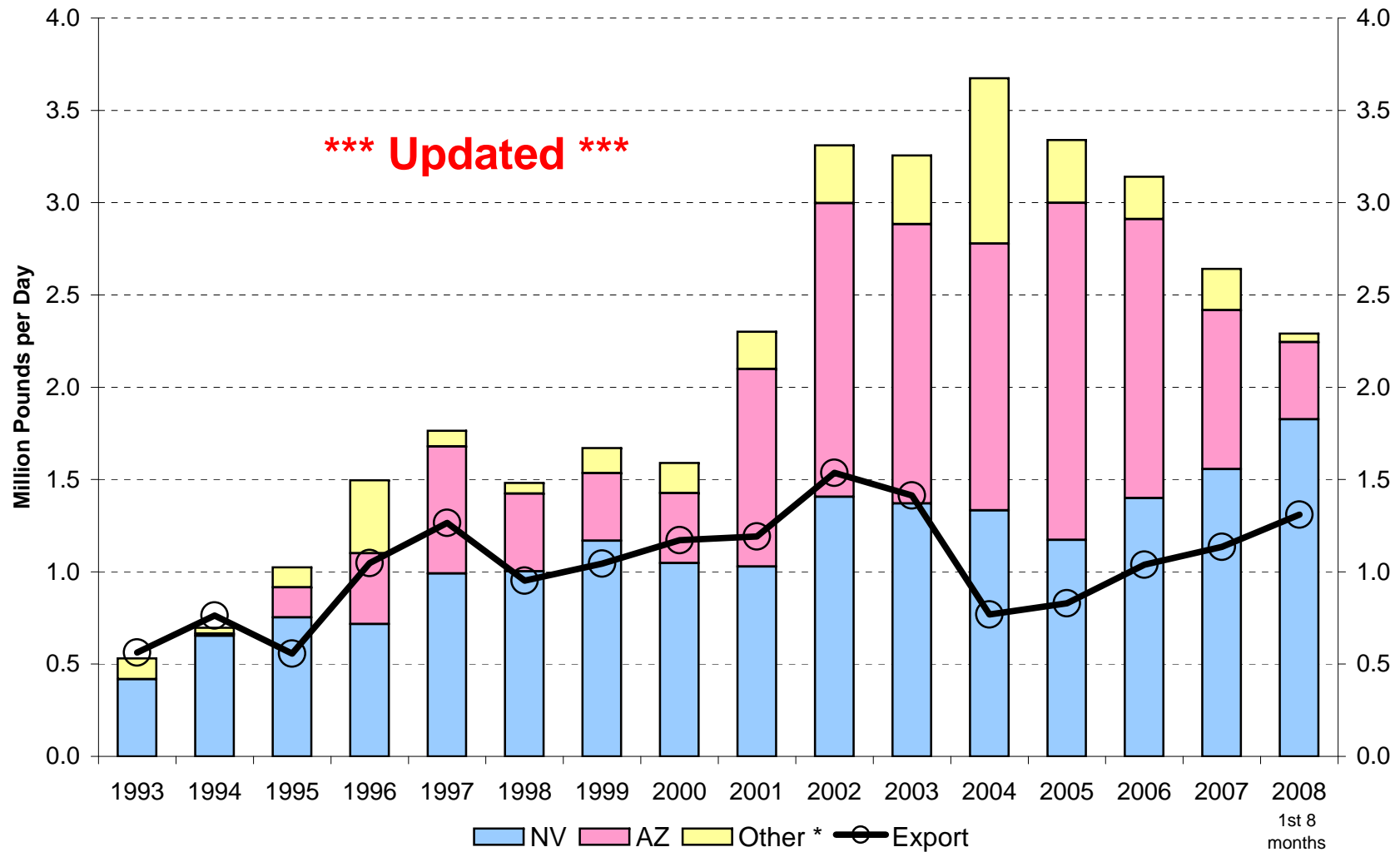


**Figure 18 - Source of Fluid Milk Processed in California Plants:
Out-of-State (OOS), California Exempt (P/H Types 66 & 70), California
Pooled, Annual Averages, January 1993 through August 2008**



Data Source: CDFA Milk Pooling Branch

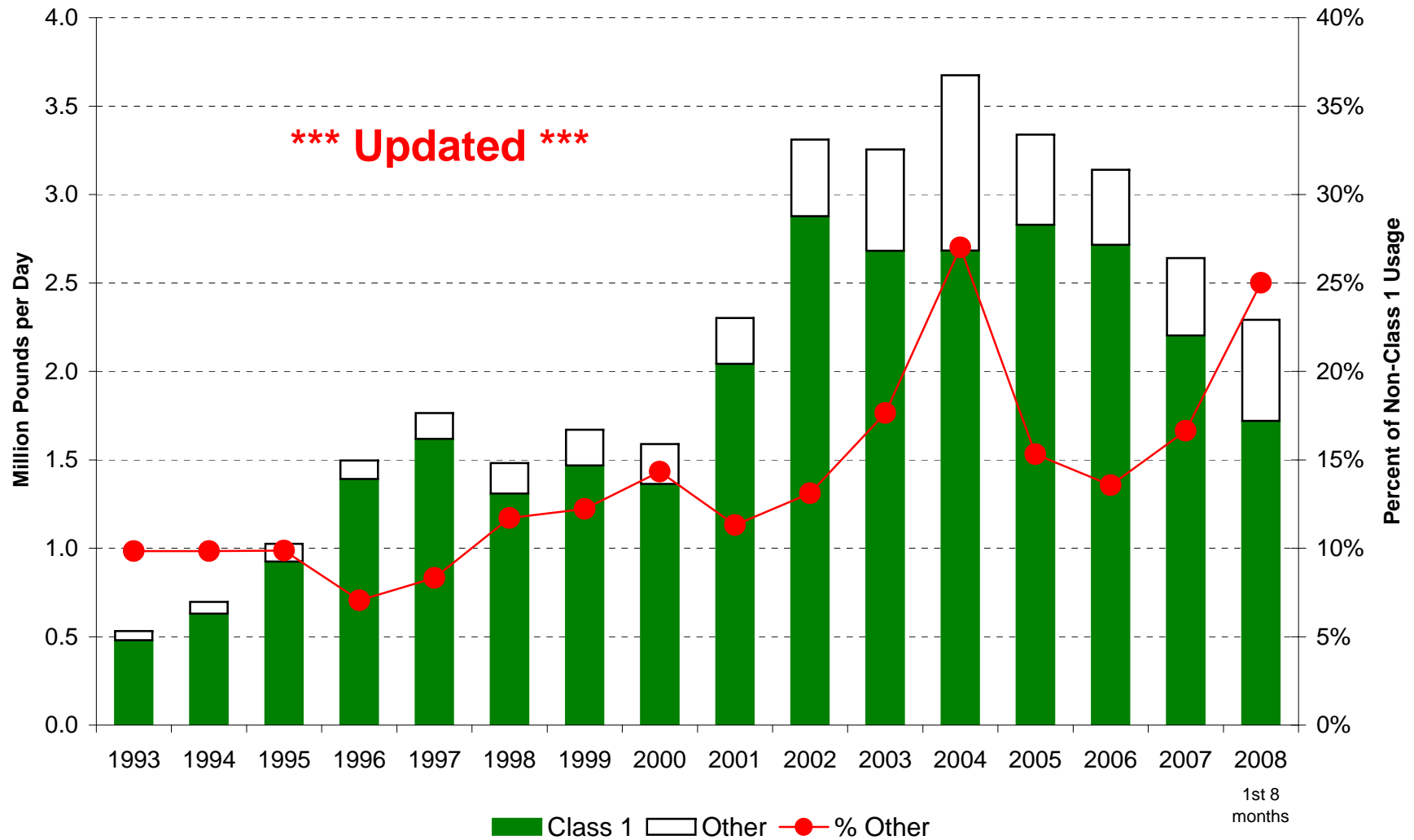
**Figure 19 - California Bulk Milk Imports by Source and Total Exports,
Annual Averages, January 1993 through August 2008**



* Other may include AZ and NV milk

Data Source: CDFA Milk Pooling Branch

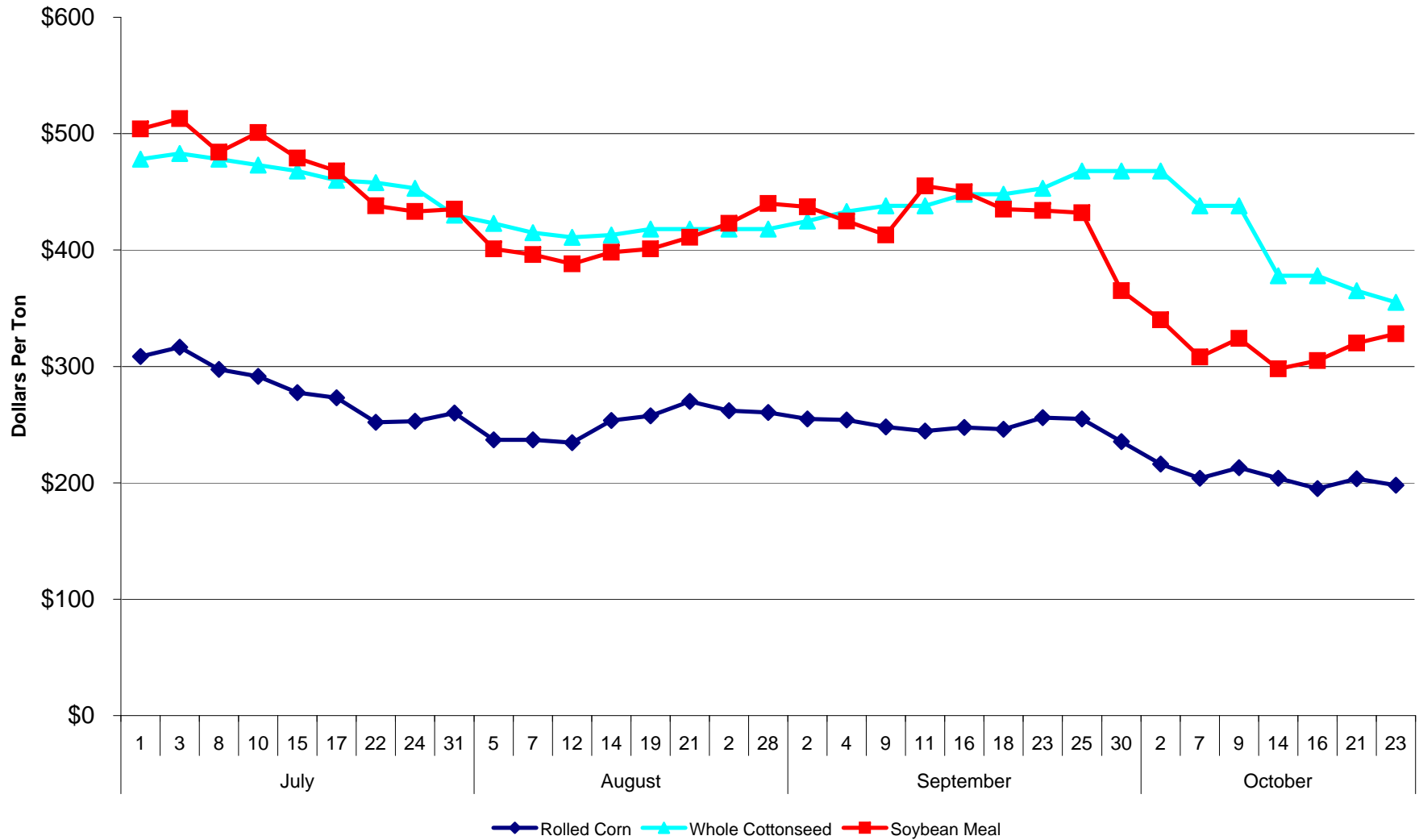
*Figure 20 - California Bulk Milk Imports by Utilization,
Annual Averages, January 1993 through August 2008*



Data Source: CDFA Milk Pooling Branch

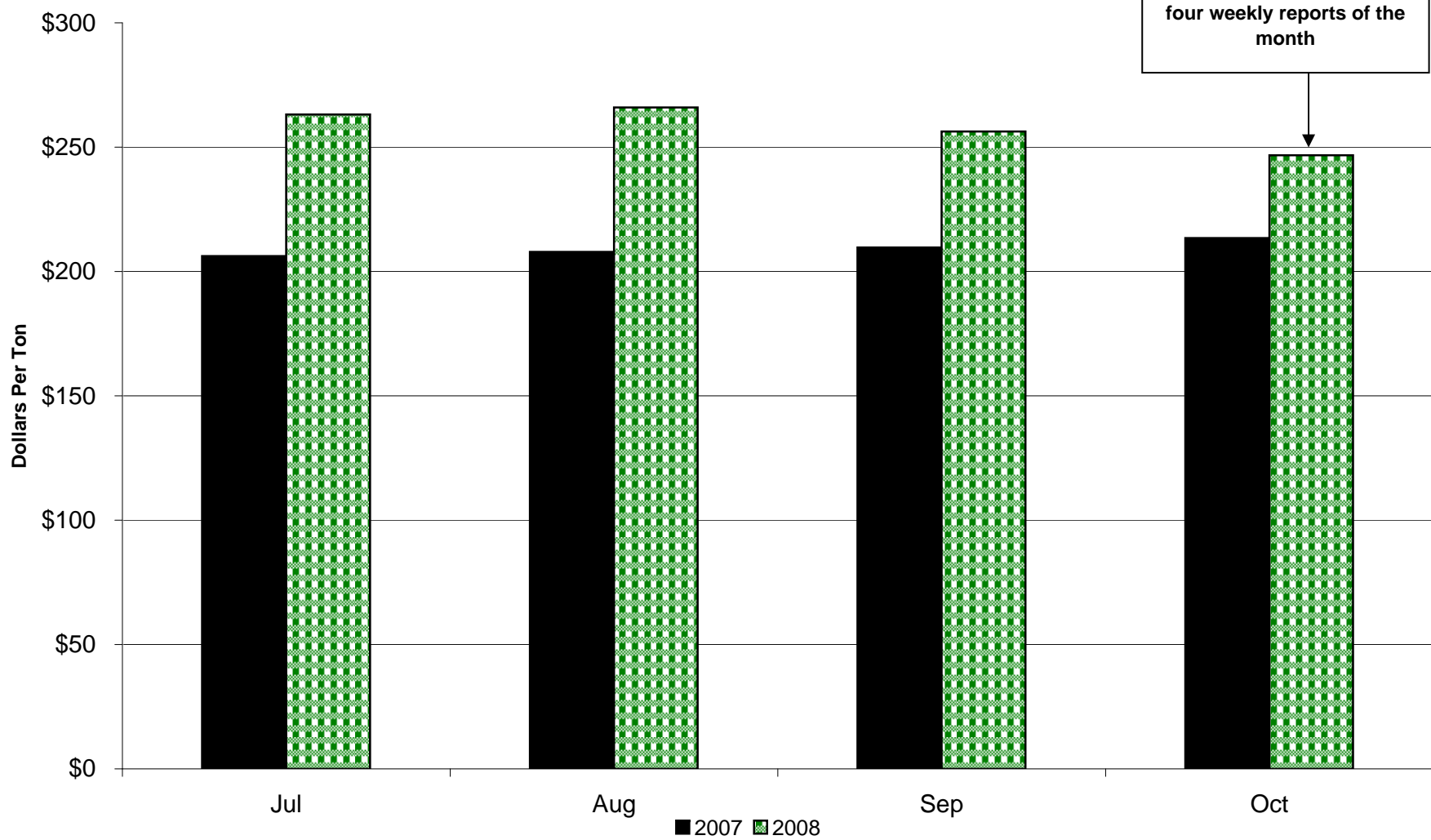
Figure A - California Spot Prices for Corn, Whole Cottonseed, and Soybean Meal ¹

Twice-Weekly, July 1, 2008 through October 23, 2008



¹ JD Heiskell & Co. Inc. Weekly Price List Delivered to Tulare/Pixley Area

Figure B - California Premium Alfalfa Hay Price ¹
Monthly, July through October



¹ USDA Market News - California Monthly Hay Avg. Price Delivered to Tulare-Visalia-Hanford-Bakersfield